

PUBLIC EMPLOYEES RETIREMENT BOARD

Employee Investment Advisory Council

100 North Park

Helena MT 59601

March 8, 2006

Kathy Samson; Council Chair with the following in attendance, called the meeting to order:

Council Members:

Tom Schneider, Labor Organization Representative

Tom Bilodeau, Labor Organization Representative

Paula Stoll, State Employee Representative

Mary Spaulding, State Employee Representative

Glen Leavitt, University System Representative

Ron Alles, Local Government Employee Representative

James Helgeson, Local Government Employee Representatives

Pam Fleisner, School District Employee Representative

Council Members who were excused:

Angela McDannel, State Employee Representative

Jim Christnacht, Retired Public Employee Representative

Others in attendance are as follows: MPERA staff: Roxanne Minnehan, Melanie Symons, Rob Virts, and Joel Thompson. Charles F. Stohl with AMPRE. Bradley Bruce a member of the 457 plan. Howard Biggs of Arnerich Massena & Associates, Inc. presented the Annual 457(b) & 401(a) Fund Review.

HOUSEKEEPING ITEMS

Ron Alles moved to accept the minutes of the April 13, 2005 EIAC meeting; Tom Schneider made the second. The motion passed with eight votes in favor.

PUBLIC COMMENT

A 457 deferred compensation plan participant expressed a desire to have I-Bonds as an investment option in the plan due to their security and stability.

ANNUAL 457(b) FUND REVIEW

Ron Alles moved to **place *Neuberger Berman High Income Investor* on probation**; the rationale was this High Yield Bond has underperformed the bench-mark criteria in the Investment Policy Statement although it's doing well as it relates to risk category within it's type. Paula Stoll made the second, the motion passed with seven votes in favor and one opposed.

Pam Fleisner's opposition was the term "watch" may be viewed as a precursor to termination. In this case, this fund is being put on watch only because under performance means less risk in this category.

Glen Leavitt moved to **terminate** the Neuberger Berman Genesis Trust as a small cap blend fund due to category drift to mid cap growth. Ron Alles made the second. The motion passed with seven in favor and one opposed. Tom Schneider does not approve of making members change from funds they wish to stay in just because the fund slips out of a category.

Ron Alles moved to **place** Artisan Mid Cap Investors **on probation** for a 3-year history of under performance and capitalization drift. Paula Stoll made the second; the motion passed unanimously.

Ron Alles moved to **terminate** RS Diversified Growth due to performance issues. Mary Spaulding made the second. The motion passed unanimously.

Mary Spaulding moved to **terminate** Templeton Foreign Fund due to change in management followed by decline in performance. Tom Schneider made the second; the motion passed unanimously.

Glen Leavitt moved to **conduct a replacement search** for the small cap growth, mid-cap growth, small cap blend, and the foreign large value funds. The Neuberger Berman Genesis Trust will be considered as a replacement for the mid-cap growth fund. Tom Schneider made the second; the motion passed unanimously.

ANNUAL 401(a) FUND REVIEW

Paula Stoll moved to **place** Vanguard Equity Income Admiral **on probation** due to partial team change and 3 year performance lag. Tom Schneider made the second; the motion passed unanimously.

Ron Alles moved to **place** Artisan Mid Cap Investors **on probation** due to a 3-year history of under performance, capitalization drift, and asset growth under management. Glen Leavitt made the second; the motion passed unanimously.

Tom Schneider moved to **maintain** Brown Capital Small Company Institutional **on probation** due to a 3-year history of underperformance. Paula Stoll made the second; the motion passed unanimously.

Tom Schneider moved to **maintain** SSGA International Growth Opportunities **on probation** due to underperformance. Ron Alles made the second; the motion passed unanimously.

Ron Alles moved to **conduct a replacement search** for the small cap growth and mid cap growth funds to provide comparisons prior to any recommendations to terminate these funds. Tom Schneider made the second; the motion passed unanimously.

INVESTMENT POLICY STATEMENT REVIEW

Kathy will edit the Investment Policy Statements to reflect broader language for fund performance evaluation & fund selection criteria, select new terms for three levels of action for the annual fund review, and merge & massage B, C, & D. A draft of the amended Investment Policy Statements will be presented at the next meeting.

PENDING WORK

- 1) Investment Policy Statement Review
- 2) Request for Proposal
- 3) Education Policy
- 4) Investment Options between the plans
- 5) 457 Plan survey

CLOSING BUSINESS

EIAC will meet to plan future work April 6, 2006 at 8:30 a.m. Kathy Samson adjourned the meeting.